

Schedule 5(a)

Form of Election Notice for Holders of Claims in Class 6

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO et al.,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE PUERTO RICO HIGHWAYS AND
TRANSPORTATION AUTHORITY,

Debtor.

PROMESA

Title III

No. 17 BK 3567-LTS

NOTICE OF AMBAC ELECTION

This Ambac Election Notice (the “Notice”) is being sent to the beneficial holders of securities giving rise to Claims in Class 6 of the *Third Amended Title III Plan of Adjustment of The Puerto Rico Highways and Transportation Authority* (as the same may be updated, supplemented, amended and/or otherwise modified from time to time, the “Plan”) to inform such

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

holders that, pursuant to Section 26.4(e) of the Plan, Ambac Assurance Corporation (“Ambac”) has the right to cast the vote on account of Claims arising from Ambac Insured Bonds to accept or reject the Plan.²

Although Ambac has the right to cast the vote on account of Claims arising from Ambac Insured Bonds to accept or reject the Plan, the holders of the Allowed HTA 98 Senior Bond Claims (Ambac) identified on Exhibit A have the option to elect to receive on the Effective Date, or as soon as reasonably practicable thereafter, in full consideration, satisfaction, release, and exchange of such holder’s claims:

Ambac Commutation Treatment (Option 1): On the HTA Effective Date, you will receive the Ambac Commutation Consideration, distributable by or at the direction of Ambac in its sole and absolute discretion pursuant to Section 26.4 of the Plan. The Ambac Commutation Consideration consists of a combination of some or all of the following, to be selected at Ambac’s sole discretion at or prior to the commencement of the Disclosure Statement Hearing: (a) some or all of a holder’s Pro Rata Share of the Ambac Plan Consideration; (b) a percentage, to be determined at Ambac’s sole discretion, of the Consummation Costs and/or the HTA PSA Restriction Fee allocable to Ambac in accordance with the terms and provisions of Article III hereof; and (c) Cash in an amount to be determined by Ambac in its sole discretion

If the Ambac Commutation Treatment is elected, (i) you will have no other or further rights under or with respect to the applicable Ambac Insurance Policy or any Ambac Trust(s), and (ii) Ambac shall receive the Ambac Plan Consideration that otherwise would be allocable or distributable to you. If you elect to receive the Ambac Commutation Treatment, or fail to make an election or make an improper election, your subject Ambac Insured HTA 98 Senior Bonds shall be deemed cancelled on the HTA Effective Date, and Ambac’s obligations under the applicable Ambac Insurance Policy shall be fully and finally satisfied, released, and discharged.

Ambac Non-Commutation Treatment (Option 2): If you timely and validly elect to receive the Ambac Non-Commutation Treatment, you will receive one of more of the following treatments offered by Ambac, in its sole and absolute discretion, which determination shall be exercised by Ambac at or prior to the commencement of the Disclosure Statement Hearing:

(i) **Custodial Trusts:** You will deposit, or be deemed to have deposited, among other things, (A) your Ambac Insured Bonds with respect to which the election has been made and the related Ambac Insurance Policies, (B) your Pro Rata Share of the Ambac Plan Consideration (consisting of (1) Cash, (2) the CW/HTA Clawback recovery, consisting of the HTA Clawback CVIs and all payments on or collections in respect of such HTA Clawback CVIs, and (3) the New HTA Bonds) and (C) be deemed to have received your Pro Rata Share of the Ambac Certificates in consideration therefor, and have no recourse to Ambac or the Ambac Insurance

² Unless otherwise defined herein, each capitalized term used herein shall have the meaning given to it in the Plan.

Policies other than as provided for under the terms of the applicable Ambac Trust(s). In the event the interim distribution amounts provided for in decretal paragraph 52 of the Commonwealth Confirmation Order has been distributed directly to you, thereby reducing the principal amount of your Ambac Insured HTA 98 Senior Bonds, such interim cash distributions need not be deposited into the Ambac Trust(s)

The terms of the Ambac Trust(s) shall be set forth in a trust agreement or trust agreements which shall be filed as part of the Plan Supplement, but shall include the following terms, without limitation: (A) Ambac shall not insure any payments on the Ambac Certificates, shall not be required to pay any default or other interest amounts with respect to the Ambac Insured Bonds, and is only required to pay its obligations under the applicable Ambac Insurance Policy as provided therein and in the agreement HTA 98 Senior governing the Ambac Trust(s); (B) Ambac shall be deemed the sole holder of the Ambac Insured HTA 98 Senior Bonds in the Ambac Trust(s) with respect to voting, amendment, acceleration, events of default, and election and direction of rights and remedies, including, without limitation, in connection with insolvency proceedings during the period that there are no outstanding payment defaults by Ambac under the applicable Ambac Insurance Policies; and (C) the agreement governing the Ambac Trust(s) will provide, among other things, that (1) all rights of a holder of Ambac HTA 98 Senior Insured Bonds held by the Ambac Trust(s) (whether as to amendments and consents, direction of remedies or otherwise) shall be exercisable solely by Ambac and no holder of the Ambac Certificates shall be entitled to any right with respect to the Ambac Insured HTA 98 Senior Bonds (other than as otherwise described in the Ambac Trust(s)), (2) Ambac may, at its option, elect to direct a distribution of a proportional percentage of the underlying Ambac Insured HTA 98 Senior Bonds to individual holders of Ambac Certificates upon the release of such holder's claims on the related Ambac Insurance Policy and against the Ambac Trust(s); such distribution and release shall not give rise to any other holder of Ambac Certificates asserting a right to receive the same treatment, and (3) Ambac may, at its option, elect to direct the sale of any Ambac Trust Assets.

(ii) **Payment of Accelerated Amounts:** Ambac shall receive the Ambac Plan Consideration that would be otherwise allocable to you and Ambac's obligations to you shall be fully and completely discharged upon the payment, on the HTA Effective Date, or as soon as practicable thereafter, but in no event later than the tenth (10th) Business Day following the HTA Effective Date, in Cash, of the Ambac Acceleration Price with respect thereto.

(iii) **Alternative Treatment:** The Oversight Board and Ambac reserve the right to formulate an alternative election or implementation option with respect to the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment of the Ambac Insured HTA 98 Senior Bonds that is mutually acceptable to the Oversight Board and Ambac, each in their respective sole discretion, in writing, at or prior to the commencement of the Disclosure Statement Hearing.

Notwithstanding the foregoing, and for the avoidance of doubt, Ambac may make different elections, selecting among options (i) through (iii) above, with respect to different CUSIPs and different holders of Ambac Insured Bonds.

If you fail to make an election or submit an election for less than all of your HTA 98 Senior Bond Claims (Ambac) (in which case, such election will be void and of no force and effect), you will be deemed to have elected to commute the Ambac Insurance Policies, to release and discharge Ambac's obligations thereunder, and to receive distributions in accordance with the Allowed HTA 98 Senior Bond Claim (Ambac) Commutation Treatment.

You are encouraged to review the entire Disclosure Statement and the Plan, including information concerning the Ambac Trust, before making an election with respect to the form of distribution you will receive under the Plan. The tax consequences described in the Disclosure Statement are not a substitute for careful tax planning and professional tax advice upon your individual circumstances and you should seek advice from your own tax advisor.

Please take notice that you are not able to vote to accept or reject the Plan and will not receive separate voting instructions for such purpose. Pursuant to the Disclosure Statement Order, Ambac is entitled to vote to accept or reject the Plan on account of Claims arising from securities insured by Ambac.

IF YOU WISH TO RECEIVE THE ALLOWED HTA 98 SENIOR BOND CLAIM (AMBAC) COMMUTATION TREATMENT, YOU DO NOT NEED TO TAKE ANY FURTHER ACTION. HOWEVER, IN SUCH CASE, YOU WILL BE DEEMED TO HAVE ELECTED TO RELEASE, DISCHARGE AND COMMUTE AMBAC'S OBLIGATIONS AND THE AMBAC INSURANCE POLICY.

Each holder of Ambac Insured Bonds described on Exhibit A attached hereto that wishes to receive the Ambac Non-Commutation Treatment (Option 2) must submit a valid election in the manner described herein.

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How to Submit a Valid Election

If you wish to elect to receive the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment, you must instruct your broker or nominee (each, a "Nominee") to electronically deliver your Ambac Insured Bonds via the Automated Tender Offer Program ("ATOP") at The Depository Trust Company ("DTC"), which will constitute an election via DTC's ATOP system to receive the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment.

No paperwork is required to be delivered to Kroll to effectuate the election. The sole means of effectuating this election is to (i) validly tender your Ambac Insured Bonds into the proper ATOP envelope at DTC, and (ii) make the election to receive the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment, each as described on DTC's ATOP system.

**THE ELECTION DEADLINE IS
5:00 P.M. (ATLANTIC STANDARD TIME) ON JULY 27, 2022.**

This date and time is referred to as the “Election Deadline.”

PLEASE TAKE NOTICE THAT IF YOU TENDER YOUR AMBAC INSURED BONDS THROUGH ATOP, YOU WILL BE RESTRICTED FROM TRANSFERRING YOUR AMBAC INSURED BONDS FROM THE ELECTION DEADLINE UNTIL THE EFFECTIVE DATE OF THE PLAN. IF YOU DESIRE TO RETAIN THE ABILITY TO TRADE OR TRANSFER YOUR AMBAC INSURED BONDS PRIOR TO THE EFFECTIVE DATE, THEN YOU SHOULD NOT TENDER YOUR AMBAC INSURED BONDS THROUGH ATOP.

YOU MAY, HOWEVER, REVOKE YOUR ELECTION AT ANY TIME BEFORE THE ELECTION DEADLINE AND WITHDRAW ANY TENDERED AMBAC INSURED BONDS.

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How to Revoke an Election

You may revoke an election to receive the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment and withdraw your Ambac Insured Bonds tendered to through DTC's ATOP at any time before the Election Deadline.

If you wish to revoke your election, you must instruct your Nominee to revoke your election and withdraw your Ambac Insured Bonds via ATOP at DTC (which withdrawal will be confirmed by Kroll once notified by DTC of the withdrawal request). No paperwork is required to be delivered to Kroll to effectuate the election.

If you revoke your election at any time before the Election Deadline, you may make an election to receive the Allowed HTA 98 Senior Bond Claim (Ambac) Non-Commutation Treatment at any time before the Election Deadline, in accordance with the instructions to submit an election above.

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If you have any questions about your holdings, please contact your Nominee. Additionally, you must contact your Nominee to take any action described above.

IF YOU HAVE ANY QUESTIONS REGARDING THIS NOTICE, PLEASE CONTACT THE BALLOTING AGENT, KROLL RESTRUCTURING ADMINISTRATION LLC (“KROLL”)³, BY TELEPHONE AT (844) 822-9231 (TOLL FREE FOR U.S. AND PUERTO

³ On March 29, 2022, Prime Clerk LLC changed its name to Kroll Restructuring Administration LLC.

RICO) OR (646) 486-7944 (FOR INTERNATIONAL CALLERS), AVAILABLE 10:00 A.M. TO 7:00 P.M. (ATLANTIC STANDARD TIME) (SPANISH AVAILABLE), OR BY EMAIL AT PUERTORICOINFO@PRIMECLERK.COM AND REFERENCE “AMBAC DISTRIBUTION ELECTION” IN THE SUBJECT LINE. PLEASE NOTE THAT KROLL IS NOT AUTHORIZED TO PROVIDE, AND WILL NOT PROVIDE, LEGAL ADVICE.

All questions as to the validity, form, and eligibility (including time of receipt) of your election will be determined by the Oversight Board, whose determination shall be final and binding on all parties. The Oversight Board and Ambac reserve the absolute right to reject any or all elections that are not in proper form or the acceptance of which would, in its legal counsel's opinion, be unlawful. The Oversight Board and Ambac also reserve the right to waive any defects, irregularities or conditions as to an election. A waiver of any defect or irregularity in one instance shall not constitute a waiver of the same or any other defect or irregularity with respect to any other instance except to the extent the Oversight Board may otherwise so provide. An election shall not be deemed to have been made until any defects or irregularities have been waived by us or cured. None of the Oversight Board, Ambac, or the Balloting Agent, nor any other person will be under any duty to give notification of any defect or irregularity in this election, or will incur any liability to you for failure to give any such notification.

Exhibit A

Description	CUSIP